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OTTAWA AREA INTERMEDIATE  
SCHOOL DISTRICT

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**HOLLAND, MICHIGAN**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2005**

**OTTAWA AREA INTERMEDIATE  
SCHOOL DISTRICT**

**HOLLAND, MICHIGAN**

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**For the Year Ended June 30, 2005**

**Issued by:**  
Office of the Superintendent  
Assistant Superintendent, Business Services  
Darcie Birkett

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

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OTTAWA AREA INTERMEDIATE  
SCHOOL DISTRICT

**EDUCATIONAL SERVICES  
BUILDING**

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Holland, MI 49424

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[www.oaisd.org](http://www.oaisd.org)

*Mission Statement:  
We provide and enrich  
educational opportunities  
for students, schools,  
and communities.*

November 8, 2005

**Members of the Board:**

The Comprehensive Annual Financial Report of the Ottawa Area Intermediate School District (OAISD) for the fiscal year ended June 30, 2005, is submitted herewith. The financial statements included in this report have been audited by Rehmann Robson, an independent firm of certified public accountants. The report is prepared for the purpose of disclosing the OAISD's financial condition to its residents, elected officials, and other interested parties.

The report is comprised of three sections. The *Introductory Section* includes the table of contents, letter of transmittal, and organizational data. The *Financial Section* includes the Independent Auditor's Opinion, the Management Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements and the Combining and Individual Fund Statements and Schedules. The *Statistical Section* includes tables that reflect economic and financial data and trends, together with the current fiscal capacity of the County.

The *Notes to Financial Statements* are considered to be an integral part of the report and should be read for a more complete understanding of the statements and information presented therein.

The financial statements have been prepared in compliance with applicable State statutes and Generally Accepted Accounting Principles (GAAP) as stated in the Governmental Accounting Standards Board statements and interpretations. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the OAISD. We believe the data, as presented, is accurate in all material aspects, and that it is presented in such a manner as to fairly set forth the financial position and results of operations of the OAISD as measured by the financial activity of its funds.

The independent audit of the financial statements of the OAISD was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements required the independent auditor to report not only on the fair presentation of the financial statements, but also on the OAISD's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Ottawa Area Intermediate School District's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Ottawa Area Intermediate School District's MD&A can be found immediately following the report of the independent auditors.

Budget controls are maintained at a *Function* level within the general and special revenue funds. A function is most often the highest hierarchy level within a fund, such as a program. From an expenditure control perspective, a function is restricted by its total budgeted appropriation. Expenditure accounts within a functional budget are not controlled at the line-item *Object* level, but rather in summary at the function level.

### ***History & Services***

The Ottawa Area Intermediate School District, established in 1962, is a regional educational service agency mandated by the legislature to provide services and programs which enhance efficiency and economy to local school districts, as well as compile statistical data about local schools for the state.

This basic definition applies to all fifty-seven Intermediate School Districts in the state of Michigan, and encompasses regional special education, career/technical education, and general education services. The definition does not, however, capture the dynamic and responsive relationship that exists between the Ottawa Area Intermediate School District, its local school districts, and its other community and business partners. In fact, the needs of our customers actually define the Ottawa Area Intermediate School District. Driven by its vision and mission to enhance the educational effectiveness, efficiency, and success of students, schools, and communities, the OAISD has established a strategic focus designed to meet the unique needs of its diverse client base.

The Ottawa Area Intermediate School District, which encompasses nearly all of the geographic territory of Ottawa County, approximately 18,101 parcels of property in northern Allegan County and 935 parcels of property in southern Muskegon County, serves eleven public school districts and five public school academies. The eleven districts are Allendale Public Schools, Coopersville Public Schools, Grand Haven Area Public Schools, Jenison Public Schools, Hamilton Community Schools, Holland Public Schools, Hudsonville Public Schools, Saugatuck Public Schools, Spring Lake Public Schools, West Ottawa Public Schools, and Zeeland Public Schools. The five academies are Black River Public School, Eagle Crest Academy, Vanderbilt Academy, Walden Green Day School, and West Michigan Academy of Arts and Academics. Total enrollment within the OAISD is approximately 46,500 students. Additionally, services are available to those non-public schools within the OAISD that meet the reporting requirements of the State. Pupils in these schools number approximately 8,500.

The programs and services of the OAISD are housed on a campus of five buildings. Special Needs Services include classroom programs for students with moderate to severe mental impairments and an infant development program housed at the Ottawa Area Center. Sheldon Pines School provides classroom programming for students with severe emotional impairments and an academic summer school. Additionally, the OAISD operates community based instruction programs for students with minimal to moderate mental impairments at sites in Grand Haven, Holland, and Hudsonville, and provides classroom programming for youths court ordered into an educational program at Ottawa County's Juvenile Justice Institute as well as those incarcerated at the Ottawa County Juvenile Services Center. Along with these programs, the OAISD coordinates and supports special needs services, special education delivery systems, and provides technical and legal support in the area of special education and truancy.

Career and Technical Education services are provided to 11<sup>th</sup> and 12<sup>th</sup> grade students through vocational-technical courses offered at the Careerline Tech Center. Post-secondary training is offered at the Patrick A. Thompson M-TEC. The OAISD also offers work-based learning services and leadership to local schools, business and industry, and community in support of career planning and preparation.

The OAISD provides consultant and support services for administrative, teaching and support staff within our local districts. Areas of support include business services, communications and marketing, governmental relations, health education and promotion, human resources, instructional services, technology and media services, and school bus driver training. These programs and services are housed within the Educational Services Building.

### ***Recent Economic Highlights***

While the United States economy has been growing since the end of the recession in November, 2001, employment growth has been hampered by sustained increases in productivity and a variety of other economic shocks, particularly, energy prices.

Michigan's gains in employment and personal income still lag behind nearly every other state because of economic changes occurring in certain sectors of the economy combined with Michigan's industrial mix. Nationally, job losses during the recession were more severe, compared with the drop in inflation-adjusted Gross Domestic Product than during previous recessions primarily because of substantial increases in productivity. Productivity has been increasing rapidly in recent years, especially in durable goods manufacturing, a sector in which Michigan industry is disproportionately concentrated.

The positive economic benefits of productivity gains are lower product prices and greater income growth in the future. Productivity, however, offers a transitory negative economic effect with its impact on job growth. For example, with stable sales, an 8% increase in productivity in one year means that a firm could reduce its labor force by 8% that year and still produce the output needed to meet demand. In the case of transportation equipment manufacturing – Michigan's largest industry – total sales of light vehicles remained fairly flat (falling 3% between 2001 and 2003 with an estimated rising of 1.9% by 2006) and domestic vehicle sales have comprised a decreasing share of total sales (83.5% in 2000 to an estimated 78.5% in 2006). In 2001, Michigan represented 3.2% of the national economy, yet produced 5.2% of manufacturing goods and 6.9% of durable goods. Approximately one-half of Michigan's durable goods manufacturing employment are in transportation equipment manufacturing, and Michigan motor vehicle manufacturing employment comprises nearly one-third of the nation's motor vehicle manufacturing employment. While more difficult to quantify, many of Michigan's non-manufacturing sectors rely heavily, either directly or indirectly, on activity in the motor vehicle sector. As a result, economic downturns in the vehicle sector are transmitted and multiplied through the Michigan economy. (Senate Fiscal Agency, Michigan's Economic Outlook and Budget Review, Jan 10, 2005.)

Following an employment peak in 2000, Michigan was one of the leading states in the country in terms of manufacturing job loss. While the Michigan economy hasn't significantly improved in 2004, less job loss than 2003 has been recorded. The loss of manufacturing jobs has an effect on employment in other sectors of the local economy: for every job lost in manufacturing, several other jobs will be at risk in other sectors.

### ***Ottawa County Economic Highlights***

In a comparison of Ottawa County labor market statistics with state and national averages, the County's overall economic performance is better than that of the State of Michigan and about equal to that of the nation. Ottawa County's average annual unemployment rate of 5.5 percent for 2004 was less than Michigan's rate of 7.1 percent and the same as the national average of 5.5 percent. For the past two years, the County has mirrored the national rate.

Locally, in the past year, Pfizer announced its closing, affecting 378 workers. Johnson Controls, Inc. announced the relocation of its sun visor unit to Mexico, eliminating 885 jobs from the area (representing 20 percent of the 2004 work force). Johnson will, however, begin manufacture of a different product in the area which will initially employ 300 workers. If production increases, another 525 jobs could potentially be created. Johnson's decision is a vote of confidence in the area and its workforce.

Contributing to Ottawa County's strength is diversification within manufacturing and across economic sectors. Manufacturing is diversified over transportation equipment, furniture, fabricated metals, electronics, food processing, machinery and plastics. Along with a strong manufacturing base, Ottawa County's economy is strongly supported by agriculture (number one county in the State of Michigan in terms of the market value of all agricultural products sold) and tourism and recreation (due to the Lake Michigan shoreline and ports).

### ***Economic Implications for Education***

The State School Aid Fund continues to experience categorical freezes and/or cuts due to the struggling economic conditions and structural budget problems. Additionally, K-12 school districts anticipate in excess of a two percent increase in the retirement rate due to increased health care costs and reduced investment earnings. The retirement rate increase along with increased cost of non-mandated benefits, fuel, and contract settlements continue to financially challenge school districts.

For the OAISD, located in a county that continues to grow, property tax revenue remains steady with a FY 2005 increase of 5%.

### ***Cash Management***

Each fund within the District has its cash that is needed for daily operations, invested in the District's depository and investment pool or in separate depository and investment accounts. Cash temporarily idle during the year may be invested in bank certificates of deposit, bank money market accounts, as well as U.S. Government securities as permitted by the State of Michigan statutes and the District's Cash and Investment Policy.



### ***Risk Management***

The District manages its risk exposures through a combination of self-insurance programs, and commercial insurance and excess coverage policies.

For coverage's concerning property, general liability, automobile liability, motor vehicle physical damage, and property damage, the District participates in the MASB-SEG Property/Casualty Pool, Inc. Unemployment claims are reimbursed to the Michigan Employment Security Commission. The District is self-insured for dental insurance, and as of September 1, 2005, the District moved from self-funded health coverage to participation in the West Michigan Health Insurance Pool.

### ***Major Initiatives Undertaken by the District***

The Ottawa Area Intermediate School District board has begun several initiatives to enhance the quality of education and maximize the effectiveness of services in the District. They are as follows:

Wide Area Network (WAN) – A \$2 million dollar fiber optic cable construction project connecting each of the OAISD K-12 districts, GRCC, GVSU, MAISD, and Ottawa County is substantially complete. The project will provide sufficient capacity for voice, video and data for an estimated 20 year period, and will enable schools to maximize efficiencies and enhance student learning through shared applications. Applications may include, but are not limited to, distance learning opportunities and common student and business management systems.

New Career Pathways in Vocational Education – Program expansion has been completed for eleventh and twelfth grade students in the area of Health and Human Services, fields identified as high growth skilled employment areas within our region. A \$4.2 Million, 22,689 square foot addition at the Careerline Tech Center has been completed and houses two new programs in each pathway, a distance learning lab and additional storage.

### ***Awards***

**ASBO Certificate of Achievement:** The Association of School Business Officials International (ASBO) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the Ottawa Area Intermediate School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the third consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a District must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

**Bond Rating:** In December, 2004, Standard & Poor's Ratings Services raised its rating on Ottawa Area ISD to "AA" from "AA-" based on the district's maintenance of strong financial operations and strong reserve levels, coupled with steady tax base growth.

**Safe Schools Award:** The OAISD has provided a safe work environment for staff and students in buildings that have unique compliance risks which has resulted in receipt of a "Safe Schools" award. This award, given by SET SEG Insurance Specialists, recognizes OAISD's very low workman's compensations claims which historically, have been less than 1% each year.

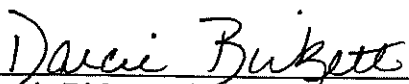
November 8, 2005

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***Acknowledgment***

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Business Services Department. We would like to express our gratitude to the members of the Board of the Ottawa Area Intermediate School District for their interest and support in planning and conducting financial operations of the District in a responsible and progressive manner.

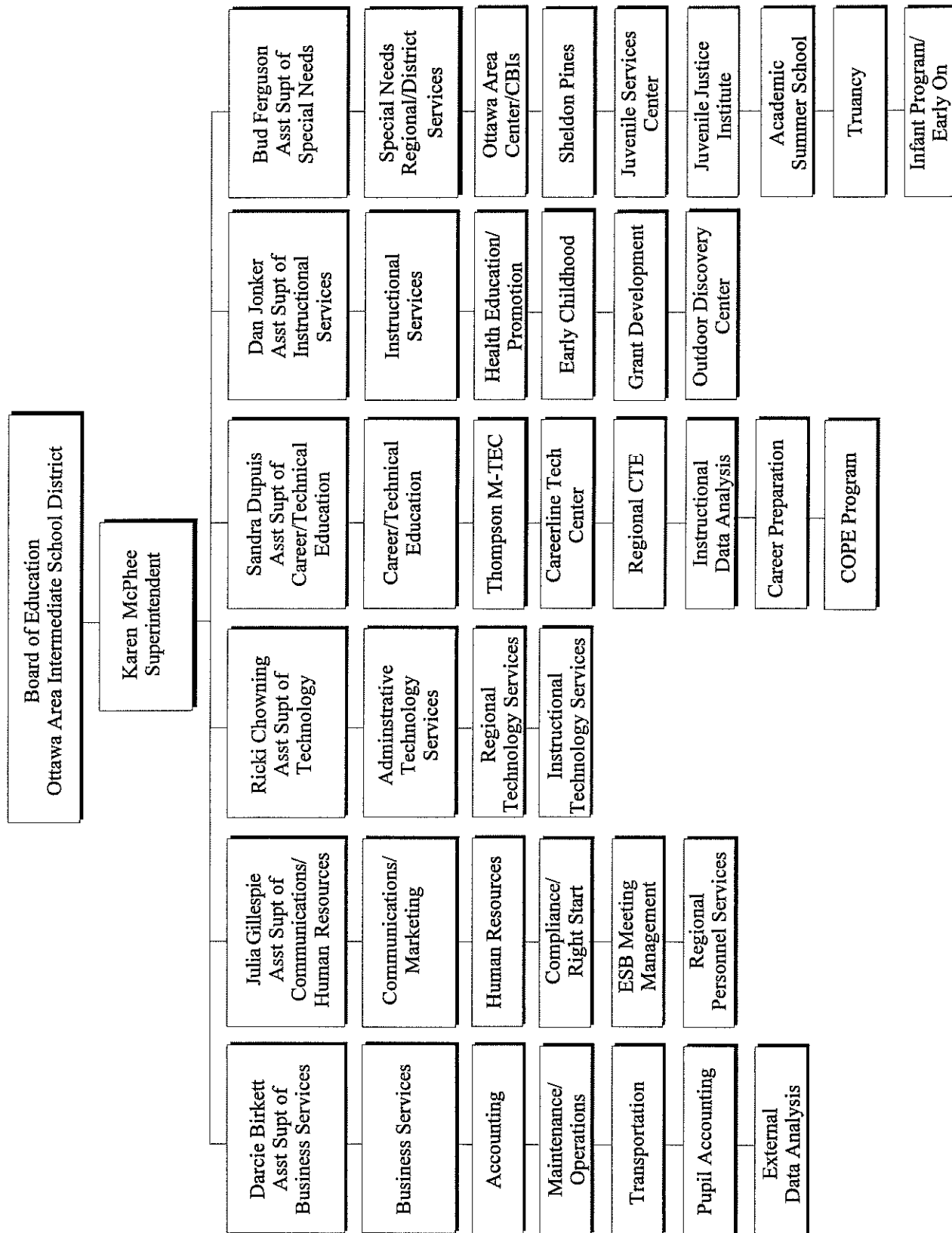
Sincerely,



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Darcie Birkett,  
Assistant Superintendent of Business Services

# *Ottawa Area Intermediate School District*



**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT  
PRINCIPAL OFFICIALS  
YEAR ENDED JUNE 30, 2005**

**BOARD OF EDUCATION**

Jose C. Gomez	President
Joseph A. Hoffer	Vice-President
Carol Slagh	Secretary
Ronald G. Eding	Treasurer
Eric Packer	Trustee

**SUPERINTENDENT COUNCIL**

Karen McPhee	Superintendent
Darcie Birkett	Asst. Supt., Business Services
Ricki Chowning	Asst. Supt., Technology & REMC7 Services
Sandra Dupuis	Asst. Supt., Career & Technical Education
Robert Ferguson	Asst. Supt., Special Needs
Julie Gillespie	Asst. Supt., Communications & Human Resources
Daniel Jonker	Asst. Supt., Instructional Services

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

**Ottawa Area Intermediate School District**

For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2004

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## **INDEPENDENT AUDITORS' REPORT**

October 19, 2005

Board of Education  
Ottawa Area Intermediate School District  
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Area Intermediate School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Area Intermediate School District, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ottawa Area Intermediate School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, reading "Lehmann Johnson".

## Management's Discussion and Analysis

As management of Ottawa Area Intermediate School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$54,297,139 (*net assets*). Of this amount, \$4,608,044 (*unrestricted net assets*) may be used to meet the District's ongoing obligations for general district programs.
- The District's total net assets increased by \$48,807.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$43,367,022, a decrease of \$3,187,609 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,010,488, or 69 percent of total general fund expenditures and transfers out.
- Investments for the future were made by the spending of approximately \$3,850,000 on school improvements, vehicles and equipment.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, community services and transfers to locals.

The government-wide financial statements can be found on pages 11 and 12 of this report.



**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fall within the governmental and fiduciary fund type categories.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, special education special revenue fund, regional vocational education special revenue fund and debt service fund, each of which are considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-31 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining fund statements can be found on pages 32-34 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$54,297,139 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (47%) reflect net assets available for special education purposes while (20%) reflect net assets available for regional vocational education purposes and (18%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students and local school districts it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### District's Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Current and other assets	\$52,893,597	\$53,534,847
Capital assets, net	<u>18,546,835</u>	<u>15,442,737</u>
Total assets	<u>71,440,432</u>	<u>68,977,584</u>
Long-term liabilities outstanding	8,666,283	8,972,374
Other liabilities	<u>8,477,010</u>	<u>5,756,878</u>
Total liabilities	<u>17,143,293</u>	<u>14,729,252</u>
Net assets:		
Invested in capital assets, net of related debt	10,029,095	7,047,120
Restricted	39,660,000	42,462,097
Unrestricted	<u>4,608,044</u>	<u>4,739,115</u>
<b>Total net assets</b>	<b><u>\$54,297,139</u></b>	<b><u>\$54,248,332</u></b>

An additional portion of the District's net assets (5 percent) represents resources that are subject to other external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (10 percent) may be used to meet the District's ongoing obligations to its general programs.

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The District's net assets increased by \$48,807 during the current fiscal year. A majority of this growth was invested in capital assets to service the District and local districts. Included in the current fiscal year was an increase in property tax revenue due to increases in the taxable value of property and state and federal funding increases.

# **District's Changes in Net Assets**

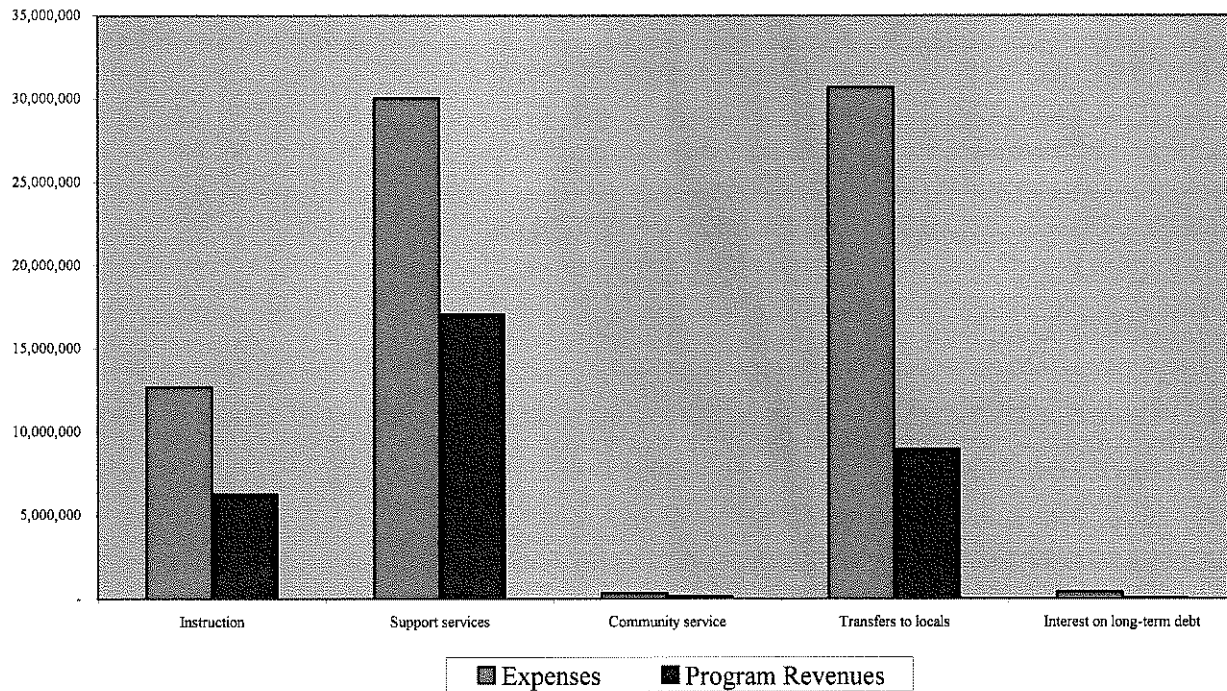
	<b>Governmental Activities</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Revenue:</b>		
Program revenue:		
Charges for services	\$16,051,193	\$ 5,091,817
Operating grants and contributions	16,358,515	14,748,167
Capital grants and contributions	40,627	219,850
General revenue:		
Property taxes	39,814,055	37,728,445
State school aid	1,748,379	2,049,002
Grants and contributions not restricted to specific programs	267	71,544
Other	<u>180,311</u>	<u>(8,141)</u>
<b>Total revenue</b>	<b><u>74,193,347</u></b>	<b><u>59,900,684</u></b>
<b>Expenses:</b>		
Instruction	12,707,480	12,319,236
Supporting services	30,016,630	17,839,497
Community services	336,670	285,806
Transfers to locals and other services	30,670,968	27,499,830
Interest on long-term debt	<u>412,792</u>	<u>425,241</u>
<b>Total expenses</b>	<b><u>74,144,540</u></b>	<b><u>58,369,610</u></b>
<b>Increase in net assets</b>	<b>48,807</b>	<b>1,531,074</b>
Net assets, beginning of year	<u>54,248,332</u>	<u>52,707,258</u>
<b>Net assets, end of year</b>	<b><u>\$54,297,139</u></b>	<b><u>\$54,238,332</u></b>

**Governmental activities.** Net assets increased by \$48,807. Key elements of this increase are as follows:

- Property tax revenue increased due primarily to increases in taxable property and new construction values.
- Operating grants increased due to additional federal funding for special education.
- Transfers to locals increased due to additional federal funding and the approved funding plan.

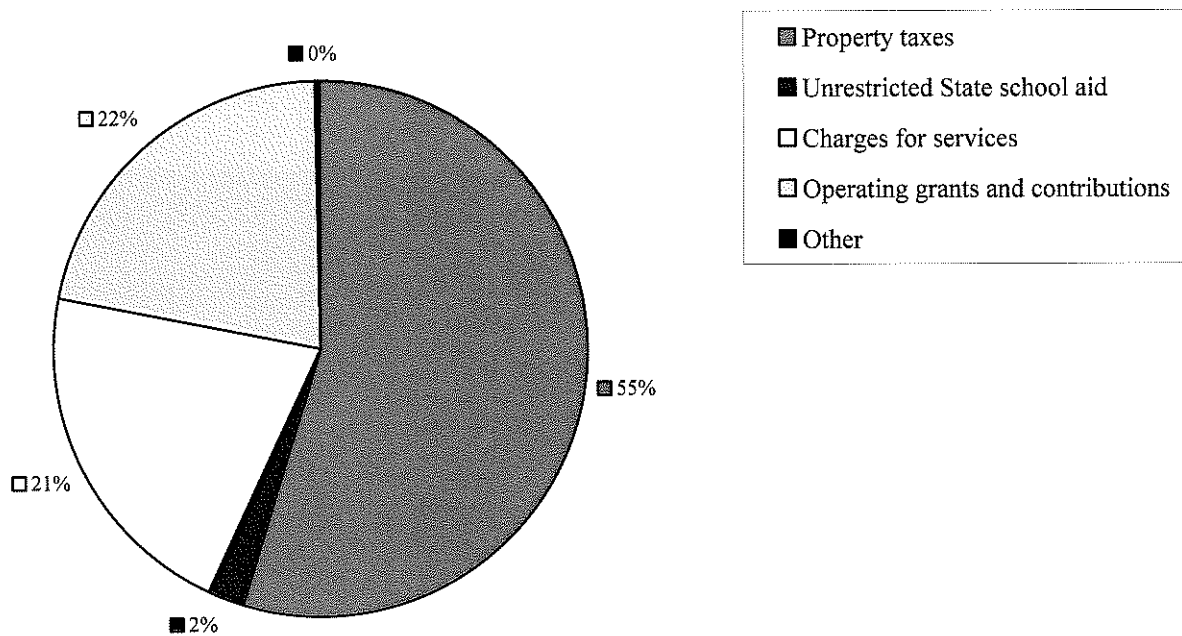
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**Expenses and Program Revenues - Governmental Activities**



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## Revenues by Source - District Activities



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## Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,010,488. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 69 percent of total general fund expenditures and transfers out.

The fund balance of the District's general fund increased by \$16,872 during the current fiscal year. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with supporting the District's and local district operations.

The special education special revenue fund has a total fund balance of \$24,405,186, which decreased by \$1,551,301 from the prior year. These resources are restricted for special education programs administered by the District and transfers to local districts for special education programs. The largest portion of this funds revenue comes from property taxes while the largest expenditure is transfers to local districts.

The regional vocational education fund has a total fund balance of \$10,100,685 which decreased by \$1,249,554 from the prior year. These resources are restricted for vocational education purposes.

The debt service fund incurred \$689,343 in debt service costs during the year which were funded through transfers from those funds benefiting from the related bond financed projects.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budgets were caused by:

- Self-funded health insurance expenditures were 27% lower than projected.
- Increase in general fund administration portion of local district Itinerant Staff added after budgeting.
- Grant carryovers were higher than projected and also funding of new grants.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental type activities as of June 30, 2005, amounted to \$18,546,835 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

Major capital asset events during the current fiscal year included the following:

- Approximately \$2,100,000 in project costs were incurred for the addition to the CTC building.

#### **District's Capital Assets (net of depreciation) June 30, 2005**

Land	\$ 617,500
Buildings	11,452,424
Land improvements	136,557
Equipment	1,507,468
Construction in progress	<u>4,832,886</u>
<b>Total</b>	<b><u>\$18,546,835</u></b>

Additional information on the District's capital assets can be found in Note III.B on pages 26 and 27 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total bonded debt outstanding of \$8,816,303. Of this balance \$1,001,303 is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitations, and is payable solely from state aid payments from the State of Michigan. The remaining balance of \$7,815,000 represents general obligation bonds of the District.

The District's total debt decreased by \$315,000 during the current fiscal year, with no new debt issuances.

Additional information on the District's long-term debt can be found in Note III.D on page 28 of this report.

### **Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2005-06 fiscal year:

- Property tax revenue increased 5%.
- Continued categorical cuts in state aid due to economic condition and structural budget problems.
- Projected continued escalation of retirement system rate due to increased health care costs and reduced investment earnings.
- Union wages were projected to increase 2% based on average settlements around the County.
- Energy increased 25% due to fuel prices.
- Non-mandated benefits projected to increase 17% based on recent insurance trend data.
- Federal revenue projections were done on a grant-by-grant basis, with offsetting expenditures in all cases.
- New programming at the Careerline Tech Center resulting in building construction and wetland mitigation.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Business Services, 13565 Port Sheldon Road, Holland, Michigan, 49424.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 4,305,050
Investments	35,314,225
Receivables	
Interest	249,557
Accounts	4,709,306
Taxes	43,969
Due from other governmental units	7,504,770
Inventories	737,672
Prepaid expenses	29,048
Total current assets	<u>52,893,597</u>
Noncurrent assets	
Capital assets	
Land and construction in progress	5,450,386
Improvements, buildings and equipment	22,965,634
Less accumulated depreciation	(9,869,185)
Total noncurrent assets	<u>18,546,835</u>
Total assets	<u>71,440,432</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	954,059
Accrued liabilities	
Salaries payable	1,865,923
Employee benefits	961,081
Interest payable	190,703
Due to other governmental units	4,101,017
Unearned revenue	42,466
Bonds payable within one year	330,000
Compensated absences payable within one year	31,761
Total current liabilities	<u>8,477,010</u>
Noncurrent liabilities	
Bonds payable in more than one year	8,486,303
Compensated absences payable in more than one year	179,980
Total noncurrent liabilities	<u>8,666,283</u>
Total liabilities	<u>17,143,293</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	10,029,095
Restricted for	
Special education	25,405,186
Vocational education	11,100,685
Capital projects	1,717,510
Debt service	1,131,836
Permanently restricted-endowment	250,000
Restricted endowment interest	54,783
Unrestricted	<u>4,608,044</u>
Total net assets	<u>\$ 54,297,139</u>

The accompanying notes are an integral part of the basic financial statements.



# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 12,707,480	\$ 1,849,853	\$ 4,408,052	\$ -	\$ (6,449,575)
Supporting services	30,016,630	14,059,499	3,002,062	-	(12,955,069)
Community services	336,670	141,841	-	-	(194,829)
Transfers to locals and other services	30,670,968	-	8,948,401	-	(21,722,567)
Interest on long-term debt	412,792	-	-	40,627	(372,165)
Total governmental activities	\$ 74,144,540	\$ 16,051,193	\$ 16,358,515	\$ 40,627	(41,694,205)
General revenues:					
Property taxes					
General					1,005,422
Special education					28,950,235
Vocational education					9,858,398
State school aid					1,748,379
Grants and contributions not restricted to specific programs					267
Universal service fee					96,101
Unrestricted investment earnings					81,266
Gain on the disposal of capital assets					2,944
Total general revenues					41,743,012
Change in net assets					48,807
Net assets, beginning of year, as restated					54,248,332
Net assets, end of year					\$ 54,297,139

The accompanying notes are an integral part of the basic financial statements.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

ASSETS	General	Special Education	Regional Vocational Education	Debt Service	Other Governmental Funds	Total
Cash and cash equivalents	\$ 1,188,348	\$ 922,437	\$ 1,178,313	\$ -	\$ 1,015,952	\$ 4,305,050
Investments	3,586,600	20,269,125	8,248,500	-	3,210,000	35,314,225
Receivables						
Interest	3,358	170,768	65,591	-	9,840	249,557
Accounts	111,098	4,449,530	148,678	-	-	4,709,306
Taxes	1,110	31,972	10,887	-	-	43,969
Due from other funds	-	17,012	-	-	-	17,012
Due from other governmental units	889,986	5,253,009	229,939	1,131,836	-	7,504,770
Inventories	3,132	-	734,540	-	-	737,672
Prepaid expenditures	9,726	9,678	9,644	-	-	29,048
<b>TOTAL ASSETS</b>	<b>\$ 5,793,358</b>	<b>\$ 31,123,531</b>	<b>\$ 10,626,092</b>	<b>\$1,131,836</b>	<b>\$ 4,235,792</b>	<b>\$ 52,910,609</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 17,235	\$ 516,425	\$ 35,270	\$ -	\$ 385,129	\$ 954,059
Accrued liabilities						
Salaries payable	38,405	1,481,279	346,239	-	-	1,865,923
Employee benefits	206,880	624,849	129,352	-	-	961,081
Due to other funds	15,320	-	1,692	-	-	17,012
Due to other governmental units	5,225	4,095,792	-	-	-	4,101,017
Deferred revenue	499,805	-	12,854	1,131,836	-	1,644,495
<b>TOTAL LIABILITIES</b>	<b>782,870</b>	<b>6,718,345</b>	<b>525,407</b>	<b>1,131,836</b>	<b>385,129</b>	<b>9,543,587</b>
<b>FUND BALANCES</b>						
Reserved						
Capital Projects	-	-	-	-	744,907	744,907
Endowment corpus	-	-	-	-	250,000	250,000
Endowment expendable earnings	-	-	-	-	54,783	54,783
Unreserved						
Designated-capital projects funds	-	-	-	-	2,800,973	2,800,973
Undesignated	5,010,488	24,405,186	10,100,685	-	-	39,516,359
<b>TOTAL FUND BALANCES</b>	<b>5,010,488</b>	<b>24,405,186</b>	<b>10,100,685</b>	<b>-</b>	<b>3,850,663</b>	<b>43,367,022</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,793,358</b>	<b>\$ 31,123,531</b>	<b>\$ 10,626,092</b>	<b>\$1,131,836</b>	<b>\$ 4,235,792</b>	<b>\$ 52,910,609</b>

The accompanying notes are an integral part of the basic financial statements.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

JUNE 30, 2005

Fund balances - total governmental funds	\$ 43,367,022
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term receivables are reported as an asset and revenue when earned on the statement of net assets while the governmental funds report these balances as an asset and deferred revenue until the available criteria for revenue recognition occurs.

Add - deferred revenue on long-term receivable	1,602,029
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	28,416,020
Deduct - accumulated depreciation	(9,869,185)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(8,816,303)
Deduct - accrued interest on bonds payable	(190,703)
Deduct - compensated absences	(211,741)

Net assets of governmental activities	<u>\$ 54,297,139</u>
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The accompanying notes are an integral part of the basic financial statements.

**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	General	Special Education	Regional Vocational Education	Debt Service	Other Governmental Funds	Total
<b>REVENUES</b>						
Local sources	\$ 2,438,544	\$ 41,633,258	\$ 11,776,206	\$ -	\$ 73,388	\$ 55,921,396
State sources	2,142,455	4,932,423	629,020	-	-	7,703,898
Federal sources	547,707	9,614,227	522,223	-	-	10,684,157
<b>TOTAL REVENUES</b>	<b>5,128,706</b>	<b>56,179,908</b>	<b>12,927,449</b>	<b>-</b>	<b>73,388</b>	<b>74,309,451</b>
<b>EXPENDITURES</b>						
Current						
Instruction	37,636	6,398,203	6,190,092	-	-	12,625,931
Supporting services	6,675,157	19,336,435	3,854,564	-	-	29,866,156
Community service	80,127	3,793	237,636	-	-	321,556
Transfers to local district	339,999	30,127,346	203,623	-	-	30,670,968
Capital outlay	-	-	-	-	3,323,106	3,323,106
Debt service						
Principal	-	-	-	315,000	-	315,000
Interest	-	-	-	374,343	-	374,343
<b>TOTAL EXPENDITURES</b>	<b>7,132,919</b>	<b>55,865,777</b>	<b>10,485,915</b>	<b>689,343</b>	<b>3,323,106</b>	<b>77,497,060</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,004,213)</b>	<b>314,131</b>	<b>2,441,534</b>	<b>(689,343)</b>	<b>(3,249,718)</b>	<b>(3,187,609)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,184,826	5,000	-	689,343	2,846,092	5,725,261
Transfers out	(163,741)	(1,870,432)	(3,691,088)	-	-	(5,725,261)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,021,085</b>	<b>(1,865,432)</b>	<b>(3,691,088)</b>	<b>689,343</b>	<b>2,846,092</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>16,872</b>	<b>(1,551,301)</b>	<b>(1,249,554)</b>	<b>-</b>	<b>(403,626)</b>	<b>(3,187,609)</b>
<b>FUND BALANCES, BEGINNING OF YEAR, AS RESTATED</b>	<b>4,993,616</b>	<b>25,956,487</b>	<b>11,350,239</b>	<b>-</b>	<b>4,254,289</b>	<b>46,554,631</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 5,010,488</b>	<b>\$ 24,405,186</b>	<b>\$ 10,100,685</b>	<b>\$ -</b>	<b>\$ 3,850,663</b>	<b>\$ 43,367,022</b>

The accompanying notes are an integral part of the basic financial statements.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ (3,187,609)

Amounts reported for *governmental activities* in the statement of activities are different because:

Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the available criteria for revenue recognition occurs.

Deduct - change in deferred revenue on long-term receivable (116,104)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay (includes \$3,323,106 recorded as capital outlay and \$536,701 recorded as instruction, support, and community services expenditures) 3,859,807  
Deduct - depreciation expense (755,709)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but is recorded as a reduction in bonds payable on the government-wide statements.

Add - principal payments on bonds payable 315,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the statement of revenues, expenditures and changes in fund balances.

Add - increase in the accrual for compensated absences (28,129)  
Add - increase in accrued interest payable on bonds (38,449)

Change in net assets of governmental activities \$ 48,807

The accompanying notes are an integral part of the basic financial statements.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL AND MAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	General			Variance
	Budget Amounts		Actual	Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 2,351,507	\$ 2,435,239	\$ 2,438,544	\$ 3,305
State sources	2,122,641	2,208,592	2,142,455	(66,137)
Federal sources	790,399	742,021	547,707	(194,314)
TOTAL REVENUES	5,264,547	5,385,852	5,128,706	(257,146)
EXPENDITURES				
Current				
Instruction				
Basic programs	55,033	54,965	37,636	17,329
Adult continuing education	-	-	-	-
Student instruction and added needs	-	-	-	-
Supporting services				
Pupil services	-	-	-	-
Instructional staff	2,832,985	2,792,766	2,531,550	261,216
General administration	271,000	246,558	236,920	9,638
School administration	-	43,204	43,381	(177)
Business services	999,923	980,767	906,491	74,276
Operation and maintenance	421,749	392,538	386,332	6,206
Transportation services	-	-	-	-
Central services	2,864,362	2,730,608	2,570,483	160,125
Community service	110,412	119,372	80,127	39,245
Transfers to local districts	456,012	409,869	339,999	69,870
TOTAL EXPENDITURES	8,011,476	7,770,647	7,132,919	637,728
REVENUES OVER (UNDER) EXPENDITURES	(2,746,929)	(2,384,795)	(2,004,213)	380,582
OTHER FINANCING SOURCES (USES)				
Transfers in	2,589,544	2,186,821	2,184,826	(1,995)
Transfers out	(191,054)	(164,108)	(163,741)	367
TOTAL OTHER FINANCING SOURCES (USES)	2,398,490	2,022,713	2,021,085	(1,628)
NET CHANGE IN FUND BALANCES	(348,439)	(362,082)	16,872	378,954
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	4,993,616	4,993,616	4,993,616	-
FUND BALANCES, END OF YEAR	\$ 4,645,177	\$ 4,631,534	\$ 5,010,488	\$ 378,954

The accompanying notes are an integral part of the basic financial statements.

Special Education Fund				Vocational Education			
Budget Amounts		Actual	Variance Positive (Negative)	Budget Amounts		Actual Amounts	Variance Positive (Negative)
Original	Final			Original	Final		
\$ 31,167,677	\$ 41,706,083	\$ 41,633,258	\$ (72,825)	\$ 11,577,677	\$ 11,662,927	\$ 11,776,206	\$ 113,279
5,102,792	4,865,370	4,932,423	67,053	675,452	602,601	629,020	26,419
9,249,420	9,767,299	9,614,227	(153,072)	532,596	542,349	522,223	(20,126)
45,519,889	56,338,752	56,179,908	(158,844)	12,785,725	12,807,877	12,927,449	119,572
-	-	-	-	5,771,913	5,776,770	5,367,996	408,774
-	-	-	-	842,551	825,154	822,096	3,058
6,912,521	6,865,740	6,398,203	467,537	-	-	-	-
3,627,155	13,406,021	13,273,929	132,092	820,510	801,772	768,729	33,043
331,199	1,058,259	1,029,451	28,808	1,236,241	1,112,512	953,137	159,375
616,891	616,185	611,685	4,500	11,800	12,420	12,420	-
976,444	940,918	870,496	70,422	1,032,201	1,022,262	948,819	73,443
48,362	48,404	51,390	(2,986)	22,488	22,310	21,647	663
778,525	745,113	669,206	75,907	1,188,804	1,149,280	1,043,884	105,396
2,056,500	2,629,781	2,765,953	(136,172)	39,915	39,915	51,984	(12,069)
243,965	149,461	64,325	85,136	60,100	60,508	53,944	6,564
-	20,000	3,793	16,207	263,436	249,186	237,636	11,550
29,595,993	30,094,372	30,127,346	(32,974)	390,951	181,845	203,623	(21,778)
45,187,555	56,574,254	55,865,777	708,477	11,680,910	11,253,934	10,485,915	768,019
332,334	(235,502)	314,131	549,633	1,104,815	1,553,943	2,441,534	887,591
5,000	5,000	5,000	-	-	-	-	-
(2,073,152)	(1,898,283)	(1,870,432)	27,851	(5,915,314)	(5,586,132)	(3,691,088)	1,895,044
(2,068,152)	(1,893,283)	(1,865,432)	27,851	(5,915,314)	(5,586,132)	(3,691,088)	1,895,044
(1,735,818)	(2,128,785)	(1,551,301)	577,484	(4,810,499)	(4,032,189)	(1,249,554)	2,782,635
25,956,487	25,956,487	25,956,487	-	11,350,239	11,350,239	11,350,239	-
\$ 24,220,669	\$ 23,827,702	\$ 24,405,186	\$ 577,484	\$ 6,539,740	\$ 7,318,050	\$ 10,100,685	\$ 2,782,635

**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**JUNE 30, 2005**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and temporary investments	<u>\$ 13,127</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 13,127</u></u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 13,127</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 13,127</u></u>

The accompanying notes are an integral part of the basic financial statements.



# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The District has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. Component units include entities for which the government is considered to be financially accountable.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *fiduciary* activities which are utilized to account for the assets of other entities for which the district acts in an agency capacity.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except that agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received within 60 days of year end, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special education special revenue fund* accounts for monies received from Federal, State and Local sources which are restricted to instruction and services related to special education.

The *regional vocational education special revenue fund* accounts for monies received from Federal, State and Local sources which are restricted to instruction and services related to providing vocational education.

The *debt service fund* accounts for the accumulation of assets for payment of debt service on Durant and general obligation bonds.

Additionally, the government reports the following fund types:

The *capital projects funds* account for the acquisition or construction of capital assets.

The *permanent fund* is used to account for monies held in a perpetual trust, the earnings of which may be used for specified educational purposes. At June 30, 2005 there were \$54,783 earnings available for expenditure. Expenditure of interest income is governed by a three member committee which is appointed by the Board of Education.

The *agency fund* accounts for assets held for other organizations in an agency capacity

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### **1. Cash and cash equivalents and investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

Michigan law authorizes the District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

### 3. *Inventories and prepaid items*

Inventories, which consist of supplies and vocational program projects in process are valued at cost on the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

### 4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Land and construction in progress are not depreciated. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-20
Buildings	45
Equipment	5-20

### 5. *Compensated absences payable*

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The balance of compensated absences payable includes salary and retained benefits payable.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **6. *Long-term obligations***

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **7. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **8. *Transfers to local districts***

Transfers to local districts includes the payment of grant, tax and other revenues to local districts and is included under this financial statements caption as required by the Michigan Department of Education chart of accounts and reporting format.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. *Budgetary information***

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgets for the General and Special Revenue Funds are adopted on a functional basis. All annual appropriations lapse at fiscal year end. Noncompliance with budgetary control are shown in the basic financial statements.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

4. Formal budgetary integration is employed as a management control device during the year for all funds except permanent funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2004. Expenditures may not exceed appropriations at the function level (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any function must be approved by the District Board. Amendments were made to the budget during the year. Amendments that were made are displayed on the budget and actual general and special revenue statements.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

The captions on the financial statements relating to cash and cash equivalents are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,305,050	\$ 13,127	\$ 4,318,177
Investments	35,314,225	-	35,314,225
Total	<u>\$ 39,619,275</u>	<u>\$ 13,127</u>	<u>\$ 39,632,402</u>

These deposits are in one (1) financial institution located in Michigan. State policy limits the School's deposit options to financial institutions located in Michigan. All accounts are in the name of the School and a specific fund or common account. They are recorded in School records at fair value.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following deposits and investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
AIM Investments Government and Agency Cash Management Fund	N/A	\$1,285,333	S&P AAA
Federal National Mortgage Association	06/02/06	1,986,000	S&P AAA
Federal National Mortgage Association	09/28/06	1,480,125	S&P AAA
Federal Home Loan Bank	11/28/06	1,922,500	S&P AAA
Federal Home Loan Mortgage Corporation	01/02/07	1,974,000	S&P AAA
Federal Home Loan Mortgage Corporation	02/14/07	1,974,000	S&P AAA
Federal National Mortgage Association	03/30/05	1,946,000	S&P AAA
Federal Home Loan Bank	04/05/07	2,000,000	S&P AAA
Federal National Mortgage Association	05/10/07	1,980,000	S&P AAA

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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Federal Home Loan Mortgage Corporation	06/29/07	\$1,981,000	S&P AAA
Federal Home Loan Mortgage Corporation	09/14/07	1,972,500	S&P AAA
Federal Home Loan Bank	01/07/08	2,275,000	S&P AAA
Federal National Mortgage Association	01/18/08	1,922,500	S&P AAA
Federal Home Loan Bank	01/28/08	599,100	S&P AAA
Federal Home Loan Mortgage Corporation	02/25/08	1,477,500	S&P AAA
Federal Home Loan Mortgage Corporation	06/03/08	242,500	S&P AAA
Federal National Mortgage Association	09/15/08	1,485,000	S&P AAA
Federal National Mortgage Association	12/22/08	1,994,000	S&P AAA
Federal Home Loan Bank	04/23/09	1,975,000	S&P AAA
Federal National Mortgage Association	05/27/09	2,000,000	S&P AAA
Federal Home Loan Mortgage Corporation	10/19/09	1,995,000	S&P AAA

### *Investment and deposit risk*

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District's specific financial institutions, qualified mutual funds qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year end, \$5,529,038 of the District's bank balance of \$5,629,038 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. Of the above \$35,314,225 investments the District has a custodial credit risk exposure of \$35,314,225 because the related securities are uninsured, unregistered and held by the counterparty's trust department in street name.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### B. Capital assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Dispositions	Balance June 30, 2005
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 617,500	\$ -	\$ -	\$617,500
Construction in progress	1,748,096	3,084,790	-	4,832,886
Total capital assets not being depreciated	2,365,596	3,084,790	-	5,450,386
Capital assets being depreciated:				
Land improvements	539,142	17,696	-	556,838
Buildings and structure	17,470,506	60,030	-	17,530,536
Furniture and equipment	4,208,787	697,291	27,818	4,878,260
Total capital assets being depreciated	22,218,435	775,017	27,818	22,965,634
Less accumulated depreciation:				
Land improvements	394,673	25,608	-	420,281
Buildings and structure	5,668,995	409,117	-	6,078,112
Furniture and equipment	3,077,626	320,984	27,818	3,370,792
Total accumulated depreciation	9,141,294	755,709	27,818	9,869,185
Total capital assets being depreciated, net	13,077,141	19,308	-	13,096,449
<b>Government activities capital assets, net</b>	<b>\$15,442,737</b>	<b>\$3,104,098</b>	<b>\$ -</b>	<b>\$18,546,835</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
Instruction	\$ 219,156
Supporting services	521,439
Community services	15,114
<b>Total depreciation expense – governmental activities</b>	<b>\$ 755,709</b>

### C. Interfund activity

#### Transfers

	<u>Transfers in by Fund</u>				
Transfers out by fund:	General	Special Education	Debt Service	NonMajor Funds	Total
General	\$ -	\$5,000	\$158,741	\$ -	\$ 163,741
Special Education	1,256,392	-	496,147	117,893	1,870,432
Vocational Education	928,434	-	34,455	2,728,199	3,691,088
	<b>\$2,184,826</b>	<b>\$5,000</b>	<b>\$689,343</b>	<b>\$2,846,092</b>	<b>\$5,725,261</b>



# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Interfund receivables/payables

Interfund balances primarily reflect balances utilized to facilitate appropriate cash flow for operations. The amounts of interfund receivables and payables at year end are as follows :

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds :		
General Fund	\$ -	\$15,320
Special Education Fund	17,012	-
Regional Vocational Education Fund	-	1,692
	<u>\$17,012</u>	<u>\$17,012</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The most significant transfers are described as noted below:

- Transfer from the special education and vocational education fund to the general fund represent payment for the special education and vocational education fund's share of administrative and other program cost.
- Transfers to the debt service fund represent each fund's share of principal and interest costs associated with projects paid for with bond proceeds.
- Transfer to nonmajor funds from nonmajor funds represent the consolidation of three capital projects funds into one general capital projects fund.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### D. Long-term debt

	<u>Balance June 30 2004</u>	<u>Additions (Deletions)</u>	<u>Balance June 30 2005</u>	<u>Due in One Year</u>
1998 School Improvement Bonds Revenue Bonds (Durant Settlement), \$1,567,311 issued, due in amounts ranging from \$69,108 through \$160,653 plus interest at 4.8% through 2013 (payable only by an annual State of Michigan Appropriation to the District)	\$1,001,303	\$ -	\$1,001,303	\$ -
2001 School Building and Site General Obligation Bonds, \$9,000,000 issued, due in amounts ranging from \$285,000 through \$685,000 plus interest ranging from 4.125% - 4.900% through 2021 (limited tax general obligation)	8,130,000	(315,000)	7,815,000	330,000
Total bonds payable	9,131,303	(315,000)	8,816,303	330,000
Compensated absences	183,612	28,129	211,741	31,761
<b>Total long-term debt</b>	<b>\$9,314,915</b>	<b>\$(286,871)</b>	<b>\$9,028,044</b>	<b>\$361,761</b>

Compensated absences are generally liquidated from the general, special education and vocational education funds.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 330,000	\$ 471,082	\$ 801,082
2007	783,382	428,307	1,211,689
2008	448,261	359,811	808,072
2009	467,226	340,516	807,742
2010	491,375	320,212	811,587
2011-2015	2,631,059	1,248,902	3,879,961
2016-2020	2,980,000	615,535	3,595,535
2021	685,000	33,564	718,564
<b>Totals</b>	<b>\$8,816,303</b>	<b>\$3,817,929</b>	<b>\$12,634,232</b>

## IV. OTHER INFORMATION

### A. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the District carried insurance to cover risks of losses except for employee dental coverage and medical insurance as discussed below.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

The District self-insures dental with maximum annual benefits of \$1,000 (\$1,500 lifetime maximum for orthodontic services) per employee. The District recognizes the cost of the benefits as the claims are presented. Unused benefits are forfeited at the end of the year. The District retains the services of an independent agency to administer its dental cases. No estimate of claims incurred but not reported under the plan is available; but District management expects the amount, if any, to be immaterial to the basic financial statements as of June 30, 2005. There were no significant reductions in insurance coverage during the year.

### B. Self-insurance plan

The claims liability of \$392,289 reported at June 30, 2005 is based on the requirements of Statement No. 10 of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The activity of the self-funded insurance is accounted for in various funds. An independent administrator is contracted to process the daily claims. An excess coverage insurance policy covers individual claims in excess of \$100,000. The District is responsible for paying administrative charges which are included in these funds. The revenues for these funds are reimbursements from various other funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Settled claims have not exceeded insurance coverage in the history of the self-insurance program. The changes in the claims liability for the year ended June 30, 2005, was as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2004	\$ -	\$ 962,393	\$ 542,218	\$420,175
2005	420,175	2,805,262	2,833,148	392,289

### B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 or December 1 of the following year by the various governmental units within the District. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of the counties within the District.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### C. Defined benefit pension plan

#### Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

#### Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 14.87% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2005, 2004 and 2003 were \$3,824,169, \$1,932,347, and \$1,800,649, respectively, equal to the required contributions for each year.

#### Other Postemployment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **D. Contingencies**

#### **Federal Grant Programs**

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

### **E. Commitments**

At June 30, 2005, the District had outstanding contracts totaling approximately \$1,385,000 for construction of the Careerline Tech Center additions.

### **F. Capital Projects**

The Capital Projects Bond Construction Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of 1351(a) of the Revised School Code.

### **G. Prior Period Adjustment**

Beginning fund balances were increased by \$4,275 in the General Fund, \$204,165 in the Special Education Fund, \$59,413 in the Vocational Education Fund, and \$12,855 in the Capital Projects Fund. Beginning net assets were increased by \$280,708. Beginning fund balances and net assets were adjusted to recognize interest receivable at the beginning of the year.

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# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

ASSETS	Capital Projects		Permanent Fund	Total
	Capital Projects	Bond Construction		
Cash and cash equivalents	\$ 209,296	\$ 744,907	\$ 61,749	\$ 1,015,952
Investments	2,967,500	-	242,500	3,210,000
Receivables				
Interest	9,306	-	534	9,840
<b>TOTAL ASSETS</b>	<b>\$3,186,102</b>	<b>\$ 744,907</b>	<b>\$ 304,783</b>	<b>\$ 4,235,792</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 385,129	\$ -	\$ -	\$ 385,129
<b>FUND BALANCES</b>				
Reserved:				
Capital projects	-	744,907	-	744,907
Endowment corpus	-	-	250,000	250,000
Endowment expendable	-	-	54,783	54,783
Unreserved				
Designated-capital projects	2,800,973	-	-	2,800,973
<b>TOTAL FUND BALANCES</b>	<b>2,800,973</b>	<b>744,907</b>	<b>304,783</b>	<b>3,850,663</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$3,186,102</b>	<b>\$ 744,907</b>	<b>\$ 304,783</b>	<b>\$ 4,235,792</b>

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Capital Projects		Permanent	Total
	Capital Projects	Bond Construction	Fund	
REVENUES				
Local sources	\$ 42,078	\$ 25,402	\$ 5,908	\$ 73,388
EXPENDITURES				
Capital outlay	2,885,983	437,123	-	3,323,106
REVENUES OVER (UNDER) EXPENDITURES	(2,843,905)	(411,721)	5,908	(3,249,718)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,846,092	-	-	2,846,092
NET CHANGE IN FUND BALANCES	2,187	(411,721)	5,908	(403,626)
FUND BALANCES, BEGINNING OF YEAR	2,798,786	1,156,628	298,875	4,254,289
FUND BALANCES, END OF YEAR	\$ 2,800,973	\$ 744,907	\$ 304,783	\$ 3,850,663

**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**

**AGENCY FUND**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**FOR THE YEAR ENDED JUNE 30, 2005**

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,003	\$ 96,884	\$ 108,760	\$ 13,127
Accounts receivable	<u>-</u>	<u>1,612</u>	<u>1,612</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 25,003</u></u>	<u><u>\$ 98,496</u></u>	<u><u>\$ 110,372</u></u>	<u><u>\$ 13,127</u></u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 25,003</u>	<u>\$ 100,749</u>	<u>\$ 112,625</u>	<u>\$ 13,127</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 25,003</u></u>	<u><u>\$ 100,749</u></u>	<u><u>\$ 112,625</u></u>	<u><u>\$ 13,127</u></u>



# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## GOVERNMENT-WIDE EXPENSES BY FUNCTION

2005

(UNAUDITED)

Year Ended June 30,	Instruction	Supporting Services	Community Services	Transfers to Locals And Other	Interest On Long-Term Debt	Total
2002	\$ 10,472,881	\$ 15,234,775	\$ 266,584	\$ 21,686,336	\$ 448,325	\$ 48,108,901
2003	10,763,798	16,433,457	315,668	24,652,252	373,379	52,538,554
2004	12,319,236	17,839,497	285,806	27,499,830	425,241	58,369,610
2005	12,707,480	30,016,630	336,670	30,670,968	412,792	74,144,540

NOTE: Only four years of data is presented due to GASB Statement No. 34 being implemented in 2002

**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**  
**GOVERNMENT-WIDE REVENUES**

2005

(UNAUDITED)

Year Ended June 30,	Program Revenues			General Revenues				Total
	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Property Taxes	State School Aid	Unrestricted Grants and Contributions	Other	
2002	\$ 4,755,580	\$ 12,113,611	\$ 218,511	\$ 33,433,711	\$ 2,229,200	\$ 86,490	\$ 135,543	\$ 52,972,646
2003	4,785,822	13,831,491	103,847	35,909,272	2,057,033	92,111	149,839	56,929,415
2004	4,815,384	14,758,167	219,850	37,728,445	2,049,002	71,544	(12,416)	59,629,976
2005	16,051,191	16,358,515	40,627	39,814,055	1,748,379	267	180,308	74,193,342

NOTE: Only four years of data is presented due to GASB Statement No. 34 being implemented in 2002

**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT  
REVENUE BY SOURCE IN GOVERNMENTAL FUNDS**

**1996 THROUGH 2005**

**(UNAUDITED)**

Year Ended June 30,	Local Sources		State Sources		Federal Sources		Other Sources		Transfers In		Other Financing Sources		Total	
	\$		\$		\$		\$		\$		\$		\$	
1996	\$	21,029,981	\$	5,406,277	\$	2,970,840	\$	4,744,231	\$	-	\$	-	\$	34,151,329
1997		22,350,500		5,237,852		4,145,367		2,857,909		-		-		34,591,628
1998		24,111,331		5,663,010		4,641,030		2,821,641		-		-		37,237,012
1999		25,984,232		6,517,230		5,492,868		5,755,846		-		-		43,750,176
2000		32,740,739		7,424,984		5,629,822		234,806		6,590,090		-		52,620,441
2001		37,065,262		7,691,253		5,637,817		8,473		5,756,321		8,887,571		65,046,697
2002		38,694,224		8,352,806		6,486,066		-		4,691,280		-		58,224,376
2003		40,979,969		8,513,745		7,549,010		-		6,082,719		-		63,125,443
2004		42,862,793		7,784,957		9,110,590		-		3,661,726		-		63,420,066
2005		55,921,391		7,703,898		10,684,157		-		5,725,261		-		80,034,707

NOTES:  
Includes all governmental funds  
Includes trust funds for years before 2002  
Transfers are included in other sources for years before 2000

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION IN GOVERNMENTAL FUNDS

1996 THROUGH 2005

(UNAUDITED)

Year Ended June 30,	Instruction	Support Services	Community Services	Transfers To		Capital Outlay	Debt Service	Transfers Out	Total
				Local Districts					
1996	\$ 7,116,409	\$ 8,893,756	\$ 166,174	\$ 14,585,216	\$	1,213,129	\$ -	\$ -	\$ 31,974,684
1997	7,433,143	9,416,314	217,387	15,858,321		1,353,343	-	-	34,278,508
1998	7,802,256	9,642,509	224,377	15,665,565		1,118,326	-	-	34,453,033
1999	8,282,751	10,478,543	293,830	18,565,336		3,303,813	160,653	-	41,084,926
2000	8,511,766	11,551,204	251,830	18,094,378		7,386,415	195,921	6,590,090	52,581,604
2001	9,486,027	12,513,158	263,416	19,472,431		3,709,049	195,857	5,756,321	51,396,259
2002	9,884,633	14,236,280	234,199	21,686,336		5,646,719	856,692	4,691,280	57,236,139
2003	10,673,226	16,273,783	313,011	24,652,252		2,239,735	683,299	6,082,719	60,918,025
2004	12,079,774	17,525,836	279,965	27,499,830		2,248,220	686,793	3,661,726	63,982,170
2005	12,625,931	29,866,156	321,556	30,670,968		3,323,106	689,343	5,725,261	83,222,321

NOTES: Includes all governmental funds

Includes trust funds for years before 2002

Transfers are included in transfers to locals and other services for years before 2000

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## PROPERTY TAX LEVIES AND COLLECTIONS

1997 THROUGH 2004

(UNAUDITED)

<u>Year Ended June 30,</u>	<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>
1997	06/30/98	\$ 20,766,663	\$ 20,735,027	99.85%
1998	06/30/99	22,169,479	22,169,479	100.00%
1999	06/30/00	29,584,862	29,584,862	100.00%
2000	06/30/01	31,112,336	31,027,700	99.73%
2001	06/30/02	33,580,184	33,422,327	99.53%
2002	06/30/03	35,820,289	35,741,484	99.78%
2003	06/30/04	37,399,494	37,696,740	100.79%
2004	06/30/05	39,877,188	39,774,997	99.74%

Note: Includes operating tax levy  
Information before 1998 was not available

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

1995 THROUGH 2004

(UNAUDITED)

Fiscal Year Ending	Real Property		Personal Property		Total	
	*State Equalized Value	Estimated Actual Value	*State Equalized Value	Estimated Actual Value	*State Equalized Value	Estimated Actual Value
1995	\$ 4,166,447,879	\$ 8,332,895,758	\$ 411,534,920	\$ 823,069,840	\$ 4,577,982,799	\$ 9,155,965,598
1996	4,605,319,221	9,210,638,442	441,260,446	882,520,892	5,046,579,667	10,093,159,334
1997	5,076,464,019	10,152,928,038	467,067,035	934,134,070	5,543,531,054	11,087,062,108
1998	5,611,433,129	11,222,866,258	500,332,186	1,000,664,372	6,111,765,315	12,223,530,630
1999	6,091,633,150	12,183,266,300	531,823,269	1,063,646,538	6,623,456,419	13,246,912,838
2000	6,634,673,417	13,269,346,834	546,677,934	1,093,355,868	7,181,351,351	14,362,702,702
2001	7,242,481,898	14,484,963,796	595,338,563	1,190,677,126	7,837,820,461	15,675,640,922
2002	7,932,800,572	15,865,601,144	623,836,771	1,247,673,542	8,556,637,343	17,113,274,686
2003	8,546,034,713	17,092,069,426	610,105,073	1,220,210,146	9,156,139,786	18,312,279,572
2004	9,125,096,536	18,250,193,072	610,566,928	1,221,133,856	9,735,663,464	19,471,326,928

Note: The Michigan Constitution and Statutes provide that property is to be assessed and equalized at 50% of its fair market value.  
Does not include portions of Allegan and Muskegon Counties.

Source: Ottawa County Comprehensive Annual Financial Report

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF TAXABLE VALUE)

1998 THROUGH 2004

(UNAUDITED)

Year of Levy	City and Villages	School Districts and State Education	County	Township	Intermediate School District	Total
1998	13.66	18.69	4.48	3.85	3.46	44.14
1999	13.53	18.80	4.38	3.91	4.34	44.96
2000	13.30	18.60	4.38	3.77	4.30	44.35
2001	13.11	18.66	4.27	3.74	4.29	44.07
2002	12.80	18.89	4.17	3.75	4.27	43.88
2003	12.76	17.82	4.16	3.70	4.23	42.67
2004	12.84	18.69	4.26	3.68	4.22	43.69

Note: Property taxes are assessed on taxable value which approximates 50% of fair market value  
Does not include any portion of Allegan and Muskegon Counties.  
Information before 1998 was not available

Source: Ottawa County Comprehensive Annual Financial Report

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## RATIO OF GENERAL BONDED DEBT TO STATE EQUALIZED VALUE (SEV) AND BONDED DEBT SERVICES PER CAPITA

2001 THROUGH 2005

(UNAUDITED)

Year Ended June 30,	Estimated Population	State Equalized Valuation	General Obligation Bonds	Less Available Debt Service Funds	Net Bonded Debt	Ratio of Net Debt to SEV	Net Bonded Debt Per Capita
2001	243,571	\$ 8,979,338,047	\$ 9,000,000	11	\$ 8,999,989	0.10%	\$ 36.95
2002	243,571	9,788,617,761	8,715,000	-	8,715,000	0.09%	35.78
2003	245,913	10,465,129,198	8,430,000	-	8,430,000	0.08%	34.28
2004	249,391	11,161,388,553	8,130,000	-	8,130,000	0.07%	32.60
2005	252,351	11,851,084,219	7,815,000	-	7,815,000	0.07%	30.97

Notes: General Obligation Bonds in this table were issued in 2001.  
Population data only includes Ottawa County Residents.  
Information before 2001 was not available.

Source: Population and SEV data per the Ottawa County Comprehensive Annual Financial Report



# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL EXPENDITURES

2001 THROUGH 2005

(UNAUDITED)

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
2001	\$ -	\$ -	\$ -	\$ 45,379,573	N/A
2002	285,000	375,884	660,884	52,544,859	1 to 79.51
2003	285,000	398,299	683,299	54,835,306	1 to 80.25
2004	300,000	386,793	686,793	60,320,418	1 to 87.83
2005	315,000	374,343	689,343	77,497,060	1 to 112.42

Notes: General expenditures includes all governmental funds.  
General obligations bonds were issued during fiscal year 2001.  
Excludes transfers out.  
Information before 2001 was not available.

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS

### FOR THE LAST TEN FISCAL YEARS

(UNAUDITED)

<u>Year Ended June 30,</u>	<u>New Commercial Construction Value (2)</u>	<u>New Industrial Construction Value (2)</u>	<u>New Residential Construction Value (2)</u>	<u>Bank Deposits (In Thousands) (1)</u>	<u>State Equalized Value</u>
1996	\$ 28,581,244	\$ 28,322,428	\$ 120,724,945	\$ 2,035,368	\$ 5,046,579,667
1997	35,250,928	21,935,338	143,850,569	2,326,481	5543531054
1998	39,174,671	21,768,524	151,610,405	2,454,482	6,111,765,315
1999	32,030,685	17,399,761	134,832,545	2,577,071	6,623,456,419
2000	31,443,044	20,744,786	158,526,668	2,595,070	7,181,351,351
2001	28,875,814	30,548,584	145,741,768	2,658,663	7,837,820,461
2002	27,227,024	33,701,351	153,455,833	2,875,000	8,556,637,343
2003	51,094,877	21,802,045	159,109,038	3,170,000	9,156,139,786
2004	27,536,382	16,522,881	186,370,097	3,275,000	9,735,663,464
2005	38,454,475	15,778,002	212,676,669	3,348,000	10,345,422,434

(1) Source: Federal Deposit Insurance Corporation.

(2) Source: Ottawa County Equalization Department

Note: Does not include portions of Allegan and Muskegon Counties

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2005

(UNAUDITED)

Name/Type of Governmental Unit	Bonds Outstanding	Balances on Hand	Net Debt Outstanding	Percentage Applicable to the District	District's Share of Debt
Ottawa Area Intermediate School District					
Direct Debt					
General Obligation Bonds	\$ 7,815,000	\$ -	\$ 7,815,000	100 %	\$ 7,815,000
Overlapping Debt					
Cities	57,099,555	N/A	57,099,555	93.89%	53,610,428
Townships	77,442,847	N/A	77,442,847	95.20%	73,727,272
Villages	3,949,806	N/A	3,949,806	100.00%	3,949,806
School Districts	612,556,851	N/A	612,556,851	100.00%	612,566,851
Counties	50,837,015	N/A	50,837,015	40.86%	20,769,747
Community Colleges	18,655,000	N/A	18,655,000	2.28%	425,334
Libraries	4,070,000	N/A	4,070,000	93.76%	3,816,032
Authority	8,615,000	N/A	8,615,000	100.00%	8,615,000
					<u>\$ 777,480,470</u>
Total Direct and Overlapping Debt					<u>\$ 777,480,470</u>

NOTES: Calculation as of 6/30/2004

Source: Municipal Advisory Council of Michigan

## COMPUTATION OF LEGAL DEBT MARGIN FOR GENERAL OBLIGATION BONDS

JUNE 30, 2005

(UNAUDITED)

State Equalized Valuation	<u>\$ 11,851,084,219</u>
Debt Limit - 1/9 of 1% of State Equalized Value	\$ 13,167,871
Amount of Debt Applicable to Limit	7,815,000
Less: Assets Available for Debt Service	<u>-</u>
Net General Obligation Debt Subject to Limitation	<u>7,815,000</u>
Legal Debt Margin	<u>\$ 5,352,871</u>

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## REVENUE BOND COVERAGE

1999 THROUGH 2005

(UNAUDITED)

Year Ended June 30,	Revenue and Other Sources	Expenses and Other Uses	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
Durant bonds (Serviced by state appropriation only)							
1999	\$ 196,100	\$ -	\$ 196,100	\$160,653	\$ 35,447	\$196,100	100 %
2000	195,921	-	195,921	128,945	66,976	195,921	100 %
2001	195,857	-	195,857	135,020	60,836	195,856	100 %
2002	195,797	-	195,797	141,389	54,408	195,797	100 %
2003	-	-	-	-	-	-	100 %
2004	-	-	-	-	-	-	100 %
2005	-	-	-	-	-	-	100 %

Note: Durant bonds were issued in 1999

NOTE: Payment of these bonds is dependent on an annual State of Michigan appropriation to the district.  
No principal or interest is due until fiscal year 2006

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## DEMOGRAPHIC STATISTICS

1998 THROUGH 2005

(UNAUDITED)

<u>School Year</u>	<u>K-12 Enrollment</u>
1997/98	40,708
1998/99	41,478
1999/00	42,195
2000/01	42,734
2001/02	43,598
2002/03	43,734
2003/04	43,990
2004/05	44,480
<u>Public School District 2004-05 School Year</u>	<u>K-12 Enrollment</u>
Allendale Public School	2,091
Coopersville Public Schools	2,451
Grand Haven Area Public Schools	6,030
Hamilton Community School	2,578
School District of the City of Holland	5,014
Hudsonville Public Schools	5,003
Jenison Public Schools	4,857
Saugatuck Public Schools	845
Spring Lake Public Schools	2,314
West Ottawa Public Schools	8,157
Zeeland Public Schools	5,140
Total	44,480

Note: Information before 1998 was not available  
Source: School Districts

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## TEN LARGEST TAXPAYERS PER 2004 TAXABLE VALUATION

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation *</u>	<u>Percent of Total Taxable Value</u>	<u>Equivalent IFT Value</u>	<u>Total IFT and Taxable Value</u>
Consumers Energy	Utility	\$ 319,053,113	3.22 %	\$ -	\$ 319,053,113
Herman Miller	Office Furniture	48,364,485	0.49	15,669,688	64,034,173
Parke-Davis	Pharmaceutical	29,207,129	0.29	7,337,972	36,545,101
Gentex	Auto Parts	11,637,228	0.12	22,342,550	33,979,778
Johnson Controls	Automotive Components	24,339,228	0.25	6,159,444	30,498,672
Shape Corp.	Metal Extrusion	24,048,711	0.24	5,911,443	29,960,154
Delphi Automotive Systems	Auto Parts	12,948,300	0.13	10,924,495	23,872,795
Magna Donnelly Corp	Automotive Components	12,026,448	0.12	11,620,516	23,646,964
Geenen DeKock Properties	Food Products	22,756,132	0.23	-	22,756,132
Meijer, Inc.	Retail Stores	22,173,733	0.22	-	22,173,733
Ten Largest Taxpayers		526,554,507	5.31	\$ 79,966,108	\$ 606,520,615
Other Taxpayers		9,380,892,948	94.69		
Total Taxable Valuation		\$ 9,907,447,455	100.00 %		

Note: \* Top 10 taxpayers does not include portions of Allegan and Muskegon Counties while the total taxable value includes the entire school district.  
Act 198 "IFT" values are generally taxable at 1/2 the normal advalorem rate. IFT values are reported above at 1/2 of taxable value.

Source: Ottawa County Equalization department

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## MISCELLANEOUS STATISTICS

JUNE 30, 2005

Year of Incorporation: 1962

Form of Government: Regional education service agency mandated by the legislature to provide services and programs which enhance efficiency and economy to local school districts, as well as compile statistical data about local schools for the State of Michigan.

Location and Description: The Ottawa Area Intermediate School District is located in the west-central part of Michigan's lower peninsula, having over 30 miles of Lake Michigan shoreline. The OAISD is bordered by the City of Muskegon on its northwesterly boundary and the City of Grand Rapids on approximately half of its easterly boundary.

The topography of the land is flat to gently rolling, with approximately half of its land area being devoted to agricultural purposes. The Area enjoys a healthy mix of tourism, industrial, commercial, and agricultural uses within its confines.

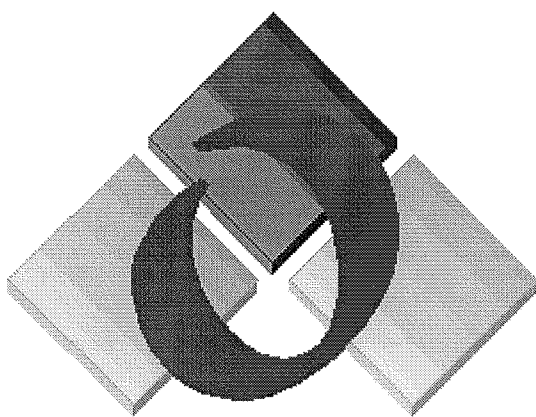
Higher Education: Higher education opportunities are available to residents at:  
Grand Valley State University in Allendale; Aquinas College, Calvin College, Calvin Theological Seminary, Cornerstone University, Davenport University, Grace Bible College, Grand Rapids Community College, ITT Technical Institute, Kendall College of Art and Design, and Reformed Bible College in Grand Rapids; Hope College, Careerline Tech Center, and Western Theological Seminary in Holland; Baker College and Muskegon Community College in Muskegon.

Services to Public School Districts:

Allendale Public Schools	Coopersville Public Schools
Grand Haven Public Schools	Jenison Public Schools
Hamilton Community Schools	Holland Public Schools
Hudsonville Public Schools	Saugatuck Public Schools
Spring Lake Public Schools	West Ottawa Public Schools
Zeeland Public Schools	

Services to Academies:

Black River Public Schools	Eagle Crest Academy
Vanderbilt Academy	Walden Green Day School
West Michigan Academy of Arts and Academics	



**OTTAWA AREA INTERMEDIATE  
SCHOOL DISTRICT**

**SINGLE AUDIT REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2005**



# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

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# REHMANN ROBSON

*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

October 19, 2005

Board of Education  
Ottawa Area Intermediate School District  
Holland, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ottawa Area Intermediate School District, as of and for the year ended June 30, 2005, which collectively comprise the district's basic financial statements, and have issued our report thereon dated October 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ottawa Area Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ottawa Area Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Robson*



# REHMANN ROBSON

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 19, 2005

Board of Education  
Ottawa Area Intermediate School District  
Holland, Michigan

### Compliance

We have audited the compliance of the Ottawa Area Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Ottawa Area Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Ottawa Area Intermediate School District's management. Our responsibility is to express an opinion on the Ottawa Area Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Ottawa Area Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Ottawa Area Intermediate School District's compliance with those requirements.

In our opinion, the Ottawa Area Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of the Ottawa Area Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Ottawa Area Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We do not consider the reportable conditions referenced above to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ottawa Area Intermediate School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 19, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Ottawa Area Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of subrecipient expenditures of federal awards are presented for purposes of additional analysis as required by OMB Circular A-133 and are not required parts of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2004	CASH RECEIVED	EXPENDITURES		ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
						(MEMO ONLY PRIOR YEAR(S))	YEAR ENDED JUNE 30, 2005	
U.S. Department of Education								
Passed through Michigan Department of Education								
ESEA Title I Part D Delinquent	84.010	051700-0405	\$ 49,642	\$ -	\$ 23,254	\$ -	\$ 40,153	\$ 16,899
ESEA Title I Part D Delinquent	84.010	041700-0304	43,447	-	7,436	43,365	7,436	-
Total			93,089	-	30,690	43,365	47,589	16,899
PL 94-142 Flow Through	84.027	050450-0405	8,220,309	-	4,219,795	-	8,220,309	4,000,514
PL 94-142 Flow Through	84.027	040450-0304	6,960,755	851,244	851,244	6,960,755	-	-
Spec Ed IDEA State Initiated	84.027	050480-CB	93,140	-	40,306	-	93,140	52,834
Spec Ed IDEA State Initiated	84.027	040490-CB	117,755	51,110	51,110	117,755	-	-
Spec Ed IDEA State Initiated	84.027	050480-TS	90,000	-	59,046	-	81,699	22,653
Spec Ed IDEA State Initiated	84.027	040490-TS	90,000	14,390	14,390	90,000	-	-
State Initiated Competitive	84.027	050480-EOSD	50,000	-	44,595	-	50,000	5,405
State Initiated Competitive	84.027	050480-TMT	17,890	-	15,283	-	17,890	2,607
Total			15,639,849	916,744	5,295,769	7,168,510	8,463,038	4,084,013
Voc Education Regional Allocation	84.048	053520-501212	367,745	-	299,854	-	360,836	60,982
Voc Education Regional Allocation	84.048	043520-401212	315,948	5,016	5,016	315,948	-	-
Total			683,693	5,016	304,870	315,948	360,836	60,982
Title V - LEA Allocation	84.298	050250-0405	9,278	-	8,765	-	9,278	513
Title V - LEA Allocation	84.298	040250-0304	11,459	423	423	11,459	-	-
Total			20,737	423	9,188	11,459	9,278	513
Preschool Grant	84.173	050460-0405	275,166	-	137,582	-	275,166	137,584
Preschool Grant	84.173	040460-0304	274,133	34,260	34,260	274,133	-	-
Total			549,299	34,260	171,842	274,133	275,166	137,584
Infants and Toddlers	84.181	051340-190	405,761	-	277,749	-	349,360	71,611
Infants and Toddlers	84.181	041340-190	433,468	53,237	112,830	340,468	93,000	33,407
Total			839,229	53,237	390,579	340,468	442,360	105,018
Drug Free Formula	84.186	052860-0405	275,181	-	174,280	-	191,698	17,418
Drug Free Formula	84.186	042860-0405	168,088	-	120,317	-	168,088	47,771
Drug Free Formula	84.186	042860-0304	98,097	24,644	24,644	-	-	-
Total			541,366	24,644	319,241	-	359,786	65,189
Technical Preparation	84.243	053540-501412	121,117	-	82,605	-	115,384	32,779
Technical Preparation	84.243	043540-401412	105,626	19,694	19,694	105,626	-	-
			226,743	19,694	102,299	105,626	115,384	32,779
Title IIA	84.367	050520-0405	1,921	-	1,921	-	1,921	-
Passed through Grand Valley State University								
Autism Grant	84.027A		25,000	-	25,000	-	25,000	-
Total passed through Michigan Department of Education			18,620,926	1,054,018	6,651,399	8,259,509	10,100,358	4,502,977
Passed through Macomb ISD								
Special Education - Behavior Learning	84.027A	0504701D50	80,814	-	48,594	-	80,814	32,220
Direct funding:								
Special Education - Direct Model Demonstration	84.324T	H324T000024-02	342,932	(11,501)	84,368	182,828	99,730	3,861
Application for Small School Achievement Program	85.358S		30,790	-	14,335	-	14,335	-
TOTAL U.S. DEPARTMENT OF EDUCATION			19,075,462	1,042,517	6,798,696	8,442,337	10,295,237	4,539,058

**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2004	CASH RECEIVED	EXPENDITURES		ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
						(MEMO ONLY PRIOR YEAR(S))	YEAR ENDED JUNE 30, 2005	
<b>U.S. Department of Justice</b>								
<i>Passed through Ottawa County</i>								
Building Restorative Communities		JJBRC-05-70001	\$ 100,000	\$ -	\$ 33,328	\$ -	\$ 41,250	\$ 7,922
Building Restorative Communities	------	071B3001298	75,000	23,770	23,770	73,100	-	-
Total passed through Ottawa County			175,000	23,770	57,098	73,100	41,250	7,922
<i>Direct funding:</i>								
Drug Free Communities	16.729	2002-JN-FX-0068	99,500	-	55,211	-	55,211	-
Drug Free Communities	16.729	2002-JN-FX-0068	100,000	2,943	2,943	100,000	-	-
Drug Free Communities	16.729	2002-JN-FX-0068	99,501	4,483	57,384	46,599	52,901	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			474,001	31,196	172,636	219,699	149,362	7,922
<b>U.S. Department of Labor</b>								
<i>Passed through Ottawa County</i>								
WIA - Adult	17.258		25,487	-	4,779	-	12,235	7,456
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			25,487	-	4,779	-	12,235	7,456
<b>U.S. Department of Health and Human Services</b>								
<i>Passed through Michigan Department of Health</i>								
Medicaid Outreach	93.778		123,180	-	123,180	-	123,180	-
Medicaid Transportation	93.778		48,785	4,824	51,932	75,992	48,785	1,677
Total passed through Michigan Department of Health			171,965	4,824	175,112	75,992	171,965	1,677
<i>Passed through Child Development</i>								
Early Head Start	93.600		33,768	-	32,428	-	33,768	1,340
			33,768	-	32,428	-	33,768	1,340
<i>Passed through Michigan Children's Trust Fund</i>								
Ready for Success	93.590	CTFDS-03-70003	13,531	-	10,148	-	12,235	2,087
Ready for Success	93.590	CTFDS-03-70003	20,297	4,050	5,075	19,272	1,025	-
Total passed through Michigan Children's Trust Fund			33,828	4,050	15,223	19,272	13,260	2,087
<i>Passed through Michigan FIA</i>								
Strong Family Safe Child	93.556	SFSC-05-70001	11,550	-	6,125	-	6,125	-
Strong Family Safe Child	93.556	SFSC0170001-4	11,550	-	2,205	9,345	2,205	-
Total passed through Michigan FIA			23,100	-	8,330	9,345	8,330	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			262,661	8,874	231,093	104,609	227,323	5,104
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			\$ 19,837,611	\$ 1,082,587	\$ 7,207,204	\$ 8,766,645	\$ 10,684,157	\$ 4,559,540

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

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### **Basis of Accounting**

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

### **Reconciliation of Basic Financial Statements**

Revenues from federal sources per the June 30, 2005 basic financial statements agree with federal revenues from the June 30, 2005 Schedule of Expenditures of Federal Awards.

Expenditures are in agreement with amounts reported in the basic financial statements. Management has utilized the grants section auditors report (form R7120) in preparing the Schedule of Expenditures of Federal Awards. Form R7120 exceeds payments recorded on the schedule of expenditures of federal awards as cash receipts because the related payment was not made by the State of Michigan until July 1, 2005. The funds were included as accrued revenue at June 30, 2005 and were excluded from the cash received column on the schedule of expenditures of federal awards in the current year.

**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF SUBRECIPIENT EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AMOUNT OF SUBRECIPIENT AWARD	DUE TO (FROM) SUBRECIPIENT JULY 1, 2004	(MEMO ONLY) PRIOR YEAR SUBRECIPIENT EXPENDITURES	SUBRECIPIENT CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT	DUE TO (FROM) SUBRECIPIENTS JUNE 30, 2005
<b>Title I Grants to LEA's</b>	84.010							
Zeeland Public Schools		051700	\$ 9,928	\$ -	\$ -	\$ 9,928	\$ 4,964	\$ 4,964
Zeeland Public Schools		041700	11,586	5,964	11,586	-	5,964	-
<b>Total</b>			<b>21,514</b>	<b>5,964</b>	<b>11,586</b>	<b>9,928</b>	<b>10,928</b>	<b>4,964</b>
<b>I.D.E.A. Flowthrough</b>	84.027	050450-0405						
Allendale Public Schools			327,935	-	-	327,936	163,968	163,968
Black River Public Schools			92,562	-	-	92,562	46,281	46,281
Coopersville Area Public Schools			387,439	-	-	387,439	193,720	193,719
Grand Haven Public Schools			874,052	-	-	874,052	437,026	437,026
Hamilton Community Schools			371,571	-	-	371,571	185,785	185,786
Holland Public Schools			1,051,242	-	-	1,051,242	525,621	525,621
Hudsonville Public Schools			833,060	-	-	833,060	416,530	416,530
Jenison Public Schools			1,100,168	-	-	1,100,168	550,084	550,084
National Heritage Academies			156,033	-	-	156,033	78,017	78,016
Saugatuck Public Schools			145,455	-	-	145,455	72,728	72,727
Spring Lake Public Schools			357,026	-	-	357,026	178,513	178,513
Walden Green Day School			11,901	-	-	11,901	5,950	5,951
West Michigan Academy of Arts and Acedemics			47,603	-	-	47,603	23,801	23,802
West Ottawa Public Schools			1,335,540	-	-	1,335,540	667,770	667,770
Zeeland Public Schools			721,985	-	-	721,985	360,992	360,993
<b>Total</b>			<b>7,813,572</b>	<b>-</b>	<b>-</b>	<b>7,813,573</b>	<b>3,906,786</b>	<b>3,906,787</b>
<b>I.D.E.A. Flowthrough</b>	84.027	040450-0304						
Allendale Public Schools			285,313	35,664	285,313	-	35,664	-
Black River Public Schools			58,251	7,281	58,251	-	7,281	-
Coopersville Area Public Schools			364,962	45,620	364,962	-	45,620	-
Grand Haven Public Schools			729,925	91,240	729,925	-	91,240	-
Hamilton Community Schools			330,487	41,310	330,487	-	41,310	-
Holland Public Schools			866,637	108,329	866,637	-	108,329	-
Hudsonville Public Schools			700,205	87,525	700,205	-	87,525	-
Jenison Public Schools			939,154	117,394	939,154	-	117,394	-
National Heritage Academies			92,726	11,589	92,726	-	11,589	-
Saugatuck Public Schools			122,447	15,305	122,447	-	15,305	-
Spring Lake Public Schools			306,711	38,338	306,711	-	38,338	-
Walden Green Day School			14,266	1,783	14,266	-	1,783	-
West Michigan Academy of Arts and Acedemics			53,496	6,687	53,496	-	6,687	-
West Ottawa Public Schools			1,126,985	140,872	1,126,985	-	140,872	-
Zeeland Public Schools			582,513	72,813	582,513	-	72,813	-
<b>Total</b>			<b>6,574,078</b>	<b>821,750</b>	<b>6,574,078</b>	<b>-</b>	<b>821,750</b>	<b>-</b>
<b>Preschool Incentive</b>	84.173	050460-0405						
Allendale Public Schools			12,740	-	-	12,740	6,370	6,370
Coopersville Area Public Schools			13,043	-	-	13,043	6,521	6,522
Grand Haven Public Schools			39,128	-	-	39,128	19,564	19,564
Hamilton Community Schools			12,685	-	-	12,685	6,342	6,343
Holland Public Schools			46,503	-	-	46,503	23,252	23,251
Hudsonville Public Schools			28,122	-	-	28,122	14,061	14,061
Spring Lake Public Schools			32,910	-	-	32,910	16,455	16,455
West Ottawa Public Schools			14,006	-	-	14,006	7,003	7,003
Zeeland Public Schools			48,677	-	-	48,677	24,338	24,339
Jenison Public Schools			27,352	-	-	27,352	13,676	13,676
<b>Total</b>			<b>275,166</b>	<b>-</b>	<b>-</b>	<b>275,166</b>	<b>137,582</b>	<b>137,584</b>
<b>Preschool Incentive</b>	84.173	040460-0304						
Allendale Public Schools			12,117	1,514	12,117	-	1,514	-
Coopersville Area Public Schools			13,186	1,648	13,186	-	1,648	-
Grand Haven Public Schools			39,722	4,965	39,722	-	4,965	-
Hamilton Public Schools			12,665	1,582	12,665	-	1,582	-
Holland Public Schools			48,247	6,030	48,247	-	6,030	-
Hudsonville Public Schools			27,167	3,395	27,167	-	3,395	-
Jenison Public Schools			32,457	4,057	32,457	-	4,057	-
Spring Lake Public Schools			13,816	1,727	13,816	-	1,727	-
West Ottawa Public Schools			47,891	5,985	47,891	-	5,985	-
Zeeland Public Schools			26,865	3,357	26,865	-	3,357	-
<b>Total</b>			<b>274,133</b>	<b>34,260</b>	<b>274,133</b>	<b>-</b>	<b>34,260</b>	<b>-</b>



**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF SUBRECIPIENT EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AMOUNT OF SUBRECIPIENT AWARD	DUE TO (FROM) SUBRECIPIENT JULY 1, 2004	(MEMO ONLY) PRIOR YEAR SUBRECIPIENT EXPENDITURES	SUBRECIPIENT CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT	DUE TO (FROM) SUBRECIPIENTS JUNE 30, 2005
<b><u>Federal Drug Free Formula</u></b>	84.186	052860-0405						
Allegan County ISD			\$ 284	\$ -	\$ -	\$ 232	\$ 232	\$ -
Allegan Public Schools			11,931	-	-	9,201	9,201	-
Allendale Public Schools			5,314	-	-	2,588	2,588	-
Black River Public Schools			1,013	-	-	945	945	-
Coopersville Area Public Schools			7,865	-	-	7,865	7,865	-
Discovery Elementary			716	-	-	716	716	-
Fennville Public Schools			6,469	-	-	6,469	6,469	-
Grand Haven Public Schools			16,589	-	-	13,177	13,177	-
Hamilton Public Schools			7,235	-	-	7,235	7,235	-
Holland Public Schools			18,892	-	-	351	351	-
Hopkins Public Schools			4,640	-	-	2,723	2,723	-
Hudsonville Public Schools			11,150	-	-	-	-	-
Jenison Public Schools			13,167	-	-	13,167	13,167	-
Martin Public Schools			4,572	-	-	1,301	1,301	-
Plainwell Community			8,347	-	-	1,226	1,226	-
Saugatuck Public Schools			2,582	-	-	2,444	2,444	-
Otsego Public Schools			7,195	-	-	5,222	5,222	-
Spring Lake Public Schools			5,729	-	-	5,729	5,729	-
West Mi Academy			1,298	-	-	-	-	-
West Ottawa Public Schools			24,197	-	-	11,261	11,261	-
Zeeland Public Schools			14,075	-	-	9,719	9,719	-
Wayland Union Schools			9,425	-	-	9,425	9,425	-
<b>Total</b>			<b>182,685</b>	<b>-</b>	<b>-</b>	<b>110,996</b>	<b>110,996</b>	<b>-</b>
<b><u>Federal Drug Free Formula</u></b>	84.186	042860-0405						
Allegan ISD			228	-	-	228	228	-
Allegan Public Schools			9,431	-	-	9,431	9,431	-
Allendale Public Schools			4,012	-	-	4,012	4,012	-
Black River Public Schools			573	-	-	564	564	-
Coopersville Area Public Schools			5,450	-	-	5,450	5,450	-
Discovery Elementary			401	-	-	400	400	-
Fennville Public Schools			4,990	-	-	4,990	4,990	-
Grand Haven Public Schools			13,223	-	-	13,223	13,223	-
Hamilton Public Schools			4,801	-	-	4,801	4,801	-
Holland Public Schools			15,856	-	-	15,856	15,856	-
Hopkins Public Schools			3,304	-	-	3,304	3,304	-
Hudsonville Public Schools			6,904	-	-	6,904	6,904	-
Jenison Public Schools			8,281	-	-	8,281	8,281	-
Martin Public Schools			3,200	-	-	3,200	3,200	-
Otsego Public Schools			6,398	-	-	6,398	6,398	-
Plainwell Community			6,090	-	-	4,857	4,857	-
Saugatuck Public Schools			1,728	-	-	1,728	1,728	-
Spring Lake Public Schools			4,654	-	-	4,654	4,654	-
Wayland Union Schools			7,331	-	-	7,331	7,331	-
West Ottawa Public Schools			15,397	-	-	15,397	15,397	-
Zeeland Public Schools			9,620	-	-	9,620	9,620	-
<b>Total</b>			<b>131,872</b>	<b>-</b>	<b>-</b>	<b>130,629</b>	<b>130,629</b>	<b>-</b>
<b><u>Spec Ed IDEA State Initiated</u></b>	84.027	050490-CB						
Allendale Public Schools			3,714	-	-	3,714	-	3,714
Coopersville Area Public Schools			4,442	-	-	4,442	-	4,442
Grand Haven Public Schools			9,874	-	-	9,874	5,069	4,805
Hamilton Public Schools			4,272	-	-	4,272	4,272	-
Holland Public Schools			11,762	-	-	11,762	11,762	-
Hudsonville Public Schools			9,518	-	-	9,518	-	9,518
Jenison Public Schools			12,598	-	-	12,598	7,935	4,663
Saugatuck Public Schools			1,734	-	-	1,734	-	1,734
Spring Lake Public Schools			4,055	-	-	4,055	4,055	-
West Ottawa Public Schools			15,260	-	-	15,260	11,485	3,775
Zeeland Public Schools			8,187	-	-	8,187	8,187	-
<b>Total</b>			<b>85,416</b>	<b>-</b>	<b>-</b>	<b>85,416</b>	<b>52,765</b>	<b>32,651</b>
<b><u>Spec Ed IDEA State Initiated</u></b>	84.027	040490-CB						
Allendale Public Schools			4,867	-	4,867	-	-	-
Coopersville Area Public Schools			6,225	-	6,225	-	-	-
Grand Haven Public Schools			12,471	-	12,471	-	-	-
Hamilton Public Schools			5,637	-	5,637	-	-	-
Holland Public Schools			14,783	-	14,783	-	-	-
Hudsonville Public Schools			11,944	-	11,944	-	-	-
Jenison Public Schools			16,019	609	16,019	-	609	-
Saugatuck Public Schools			2,089	-	2,089	-	-	-
Spring Lake Public Schools			5,232	-	5,232	-	-	-
West Ottawa Public Schools			19,223	-	19,223	-	-	-
Zeeland Public Schools			9,936	-	9,936	-	-	-
<b>Total</b>			<b>108,426</b>	<b>609</b>	<b>108,426</b>	<b>-</b>	<b>609</b>	<b>-</b>

**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF SUBRECIPIENT EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AMOUNT OF SUBRECIPIENT AWARD	DUE TO (FROM) SUBRECIPIENT JULY 1, 2004	(MEMO ONLY) PRIOR YEAR SUBRECIPIENT EXPENDITURES	SUBRECIPIENT CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENT	DUE TO (FROM) SUBRECIPIENTS JUNE 30, 2005
<b><u>Medicaid Transportation</u></b>	93.778	04-05						
Coopersville Public Schools			\$ 77	\$ -	\$ -	\$ 77	\$ 77	\$ -
Grand Haven Public Schools			2,607	-	-	2,607	2,607	-
Hamilton Community Schools			325	-	-	325	325	-
Holland Public Schools			8,912	-	-	8,912	8,912	-
Hudsonville Public Schools			464	-	-	464	464	-
Spring Lake Public Schools			40	-	-	40	40	-
West Ottawa Public Schools			3,483	-	-	3,483	3,483	-
Zeeland Public Schools			500	-	-	500	500	-
Total			16,408	-	-	16,408	16,408	-
<b><u>Medicaid Outreach</u></b>	93.778	04-05						
Allendale Public Schools			4,550	-	-	4,550	4,550	-
Coopersville Public Schools			3,101	-	-	3,101	3,101	-
Grand Haven Public Schools			9,995	-	-	9,995	9,995	-
Hamilton Community Schools			2,760	-	-	2,760	2,760	-
Holland Public Schools			10,964	-	-	10,964	10,964	-
Hudsonville Public Schools			9,358	-	-	9,358	9,358	-
Jenison Public			13,899	-	-	13,899	13,899	-
Saugatuck Public Schools			1,015	-	-	1,015	1,015	-
Spring Lake Public			3,222	-	-	3,222	3,222	-
West Ottawa Public Schools			9,667	-	-	9,667	9,667	-
Zeeland Public Schools			8,185	-	-	8,185	8,185	-
Total			76,716	-	-	76,716	76,716	-
<b><u>Directed Model Demonstration Grant</u></b>	84.324	H324T000024						
Grand Haven Public Schools			3,428	-	-	3,428	3,428	-
Hudsonville Public Schools			4,385	-	-	4,385	4,385	-
Holland Public Schools			8,902	-	-	8,902	8,902	-
Total			16,715	-	-	16,715	16,715	-
<b>Total</b>			<b>\$ 15,576,702</b>	<b>\$ 862,583</b>	<b>\$ 6,968,223</b>	<b>\$ 8,535,547</b>	<b>\$ 5,316,144</b>	<b>\$ 4,081,986</b>

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

### SECTION I – SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditor's report issued:

*Unqualified on financial statements*

Internal controls over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes      X no

Reportable condition(s) identified not  
considered to be material weaknesses?

\_\_\_\_\_ yes      X none reported

Noncompliance material to financial  
statements noted?

\_\_\_\_\_ yes      X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes      X no

Reportable condition(s) identified not  
considered to be material weaknesses?

X yes      \_\_\_\_\_ none reported

Type of auditor's report issued on compliance  
for major programs:

*Unqualified*

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section 510(a)?

\_\_\_\_\_ yes      X no

#### Identification of Major Programs

##### CFDA Number(s)

84.186

84.048

84.181

Cluster

84.027

84.173

##### Name of Federal Program or Cluster

Drug Free Formula

Vocational Education

Infants and Toddlers

Special Education Programs

Preschool Grant

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$320,000

Auditee qualified as low-risk auditee?

X yes      \_\_\_\_\_ no

# OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

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### SECTION II – FINANCIAL STATEMENT FINDINGS

None

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### Finding 2005-1

**U.S. Department of Education/Behavior Learning  
CFDA #84.027A (Major Program)**

Internal Control

Finding:

Ottawa Area ISD requested and received reimbursement for salary costs which were allocated to this program in the absence of supporting time card documentation or an approved cost allocation plan.

Effect:

The requirement for staff who are split between more than one activity to account for time charged to the grant was not met.

Recommendation/Comment:

Time records should be prepared for employees to document time spent and costs charged to federal programs.

Corrective Action Plan:

The District will maintain records to document time charged to federal programs in order to insure that wages and fringe benefits are appropriately allocated.

#### Finding 2005-2

**U.S. Department of Education/Drug Free Formula  
CFDA #84.186 (Major Program)**

Internal Control

Finding:

The District requested and received reimbursement for salary costs which were charged in excess of actual time spent on the grant.

Effect:

Salary charges to the grant were based on budgeted expense and never adjusted to actual hours worked on the grant.

Recommendation/Comment:

Expenditures should reflect actual time charged to the grant.

Corrective Action Plan:

The District will evaluate timesheet records to verify expenditures requested for reimbursements equal actual hours worked on the grant.

**OTTAWA AREA INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2005**

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**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Finding 2004-1**

The District had Vocational Education funded staff certify their time expended on Vocational Education activities only once during the year. This finding was corrected for 2005.



# REHMANN ROBSON

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

October 19, 2005

Board of Education  
Ottawa Area Intermediate School District  
Holland, Michigan

In planning and performing our audit of the financial statements of Ottawa Area Intermediate School District for the year ended June 30, 2005, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated October 19, 2005 on the financial statements of Ottawa Area Intermediate School District.

Our comments are as follows:

## **SEGREGATION OF DUTIES**

An essential component of internal control is the segregation of the authorization, record-keeping, and custody functions. This minimizes the opportunity for any one employee to perpetrate and conceal fraudulent activity and maximizes the opportunity to identify errors. We observed that someone separate from the payroll function is not providing a final approval of pay runs before the payroll checks are processed and disbursed. In addition, the same employee distributes the checks and processes the payroll data. We recommend that an employee independent of the payroll function make a final approval of the pay run and oversee the distribution of the checks. This independent employee should secure any unclaimed checks. It also came to our attention that the payroll clerk is not required to take vacations. She is never absent on weeks when there is a pay run. Requiring an employee to take vacation time both allows a check on the activities being performed and ensures that a second employee is able to perform these duties as needed. While a second employee has already been cross-trained on the payroll duties, we recommend that the District maintain even greater internal control by requiring the second employee to perform these duties periodically.

We also noted during our audit that one employee makes buy/sell decisions on investments and adjusts the general ledger accounts for investment activity. We suggest that internal control would be enhanced by having these adjustments approved by another employee for accuracy and reasonableness.

### **DISTRICT MEALS AND TRAVEL POLICY**

With the increased scrutiny over ISD employee expenditures, we recommend that the board adopt policies to provide guidance regarding acceptable meal and travel expense reimbursement levels. This will provide employees with a basis for what is reasonable and acceptable for these expenses.

### **TIMELINESS OF ACCOUNT RECONCILIATION**

We noted during our audit that the general ledger accounts receivable balances had not been reconciled to the account level detail. The June 30 account level detail had been discarded and therefore we were unable to trace the receivable balance directly from the detail to the general ledger. We were able to test the balances, but we are concerned that these accounts are not being reconciled on a timely basis. In order to identify errors and have accurate information for financial reporting, we recommend that this reconciliation take place in a timely manner and that appropriate documentation be retained.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.